

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 6107

Tariff filing of Green Mountain Power Corporation     )  
requesting a 12.9% rate increase, to take effect     )  
June 22, 1998     )

PREFILED SURREBUTTAL TESTIMONY OF  
DEENA L. FRANKEL  
ON BEHALF OF THE  
VERMONT DEPARTMENT OF PUBLIC SERVICE

November 13, 2000

Summary:     The purpose of Ms. Frankel's testimony is to support the service quality and reliability plan that is a portion of the stipulated agreement between DPS and GMP.

Prefiled Surrebuttal Testimony  
of  
Deena L. Frankel

1 Q. Please state your name and occupation.

2 A. My name is Deena L. Frankel, and I am the Director of Consumer Affairs & Public  
3 Information for the Vermont Department of Public Service (DPS).

4  
5 Q. Please state your educational background and professional experience.

6 A. I attended Florida State University, majoring in mass communications. I am currently  
7 enrolled in a Master of Arts program at the McGregor School of Antioch University and will  
8 receive my MA in Conflict Resolution in September, 2001. Prior to coming to Vermont in  
9 1994, I worked for 17 years in Florida and Connecticut at the state and local levels in the fields  
10 of consumer and disabilities research and advocacy, organizational development and marketing.  
11 Between 1994 and 1997, I owned and operated an organizational development consulting firm  
12 based in Montpelier. I have over twenty years of management experience, including grants  
13 management, contract supervision and administration in both large and small organizations. In  
14 addition to my duties for the Department, I am an adjunct faculty member of Woodbury  
15 College, where I teach in the Mediation and Conflict Management Certificate Program.

16  
17 Q. What are your responsibilities in your current position?

18 A. I am responsible for administering the Department's Consumer Affairs & Public  
19 Information Division (CAPI). CAPI is responsible for resolving consumer complaints against  
20 regulated utilities and cable companies, advocating for policies which protect consumer interests  
21 and educating consumers about utility issues so they can more effectively advocate for  
22 themselves. I supervise a staff of four consumer advocates, represent the Department in policy,

1 legislative and public information initiatives related to consumer issues, and carry out DPS's  
2 administrative responsibilities with respect to Vermont's Universal Services Fund.

3 Q. What is the purpose of your testimony?

4 A. The purpose of my testimony is to support the service quality and reliability plan that  
5 appears in Exhibit DPS-DLF-Sreb.1 to the stipulated agreement between DPS and GMP.

6 Q. Why should the Board adopt the service quality and reliability agreement reached between  
7 DPS and the Company?

8 A. In prefiled testimony various GMP witnesses described the cost cutting measures the  
9 Company has already undertaken to cope with financial pressure and the need to control rates.  
10 This settlement includes further financial pressure on GMP. The value of the service quality and  
11 reliability standards included in the settlement is to ensure that cost cutting measures do not  
12 bring about a deterioration in service quality. With a Service Quality and Reliability Plan  
13 (SQRP) in place, deterioration will readily be identified by both the Company and the  
14 Department, and remedial measures be undertaken.

15 The NARUC-sponsored report, *Performance Based Regulation in a Restructured*  
16 *Electric Industry*<sup>1</sup>, recognizes the link between incentives for cost cutting and service quality  
17 decline. They state, "[u]nfettered incentives to reduce costs could result in unacceptable  
18 declines in service quality. In the United Kingdom prices have fallen since the advent of  
19 competition in the generation business, but complaints about quality have risen." (P. 37.)  
20 Although this analysis was designed to address the question of performance-based regulation in

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<sup>1</sup>Biewald, B., Woolf, T., Bradford, P, Chernick, P., Geller, S., & Oppenheim, J. (11/8/97).  
*Performance-based regulation in a restructured electric industry*. Prepared for the National  
Association of Regulatory Utility Commissioners. Cambridge, MA:Synapse Energy Economics. .

1 the move to retail competition, its conclusions remain valid in any environment where incentives  
2 exist to cut costs. Whether the means of cutting cost is real cuts or false savings from deferral of  
3 maintenance or reductions in necessary service personnel, the public interest demands quick  
4 and effective means to spot and remediate service quality deterioration, and, better yet, to  
5 create financial disincentives to prevent deterioration in the first place.

6 An SQRP serves other purposes as well. Objective measures tend to help companies  
7 recognize their own problems early and make corrections before enforcement of the official  
8 plan is needed to bring about improvement. DPS has seen this phenomenon in response to the  
9 Docket 5903 Service Quality Index in telecommunications. In addition, it is an accepted truth in  
10 management that what gets tracked gets measured, and what gets measured gets fixed. A well-  
11 structured service quality plan ensures company management keeps its sights fixed on those  
12 indices most important to consumers.

13 An SQRP can also build public confidence in the electrical system. To do so, the plan  
14 must be simple, understandable and connected to key service components and customer  
15 satisfaction. Where the public has been concerned about quality or about uncertainty during  
16 times of change, an SQRP allow regulators and the company to provide objective evidence of  
17 stable or improving quality (assuming such quality is maintained).

18 A service quality plan can also bring about improvement in service quality where  
19 historical performance suggests a need. By ratcheting up performance standards over time, a  
20 company can gradually improve service in targeted performance areas.

21 Q. What basis exists in statute for the Board to accept service quality and reliability standards for  
22 an electric utilities?

23 A. Title 30 V.S.A. § 209 establishes the Board's authority to set service quality and  
24 reliability standards. Paragraph (a)(1) grants jurisdiction over "[t]he . . . quality of any product  
25 furnished or sold by any company" subject to the Board's jurisdiction. This paragraph

1 establishes the basis for reliability standards, since the regulation of quality requires  
2 measurement and a target level that represents acceptable quality.

3 Paragraph (a)(3) of the same section gives the Board jurisdiction over “[t]he manner of  
4 operating and conducting any business subject to supervision under this chapter, so as to be  
5 reasonable and expedient, and to promote the safety, convenience and accommodation of the  
6 public[.]” This paragraph establishes the basis for service quality standards in order to establish  
7 minimum levels that meet the definition contained in the statutes, and to monitor company  
8 performance in relation to those minimum levels.

9 Title 30 V.S.A. § 219 also defines the obligation of electric utilities (as well as other  
10 regulated companies) to “furnish reasonably adequate service, accommodation and facilities to  
11 the public.” It stands to reason that this provision can only have meaning if it is possible to  
12 measure the quality of service in order to know whether a company is meeting its obligations.

13 Q. What basis exists in past Board orders for service quality and reliability standards?

14 A. Several Board orders during the past several years have established a basis for service  
15 quality and reliability standards. The final order in Docket 5854 repeatedly refers to the need  
16 for standards of service quality and reliability (VPSB Final Order, Docket 5854, 12/30/96, at  
17 36, 37, 88, and 134). Although this discussion occurs in the context of utility restructuring, its  
18 content is clearly relevant to the monopoly environment in a time of financial pressure.  
19 Specifically addressing the integrity of the transmission and distribution network, the Board  
20 concluded it “should set high reliability and service quality standards, and establish  
21 performance-based incentives for their achievement. Minimum service quality and reliability  
22 standards can be set on the basis of recent Vermont experience, evolving standards in other  
23 states, and cost and other relevant data” (Id. at 88).

24 The emphasis in Docket 5854 on reliability and service quality standards for distribution  
25 utilities, moreover, was not restricted to performance-based regulation (PBR). At 134, the

1 Board observed that “regulation of traditional service may best be accomplished through  
2 alternatives to traditional cost-of-service regulation,” but declined to require PBR, instead  
3 encouraging investor-owned utilities to voluntarily propose PBR plans.

4 In addition to Docket 5854, the Board has adopted a number of other service quality  
5 monitoring and minimum performance standards in other industries, demonstrating a trend  
6 toward formalized accountability for service quality. In Docket 5903, the Board modified the  
7 parties’ stipulated generic service quality index that now applies to all telecommunications  
8 providers. The generic index requires monitoring and quarterly reporting in nine performance  
9 areas. Although no automatic financial penalties attach to missing annual baselines, service  
10 below the baseline level, by definition, fails to promote the safety, convenience and  
11 accommodation of the public, and therefore, may be subject to financial penalties under 30  
12 V.S.A. § 30(2) or other Board action to correct the deficiency.

13 In Docket 6167, the Board accepted the parties’ stipulated agreement to a Service  
14 Quality Index as part of an alternative regulation plan which includes financial penalties for  
15 missing baselines standards. In Docket 6101, the Board imposed the FCC’s customer service  
16 standards on Adelphia Cable and included a requirement for quarterly monitoring and  
17 reporting. Recently, the Board adopted Rule 4.900 requiring the tracking and reporting of  
18 electric outage data.

19 Taken together these Board actions reflect a growing emphasis on performance  
20 monitoring and minimum performance standards.

21 Q. What approach to service quality and reliability standards does the stipulated plan take?

22 A. The SQRP specifies performance areas and some aspects of reporting requirements,  
23 but provides an opportunity for DPS and the Company to work together on setting actual  
24 baselines or performance thresholds, with the exception of the areas of safety and reliability,

1 where it is possible to establish baselines from the outset.<sup>2</sup> In the area of reliability, DPS and the  
2 state's electric utilities have been working together for some time to establish definitions and  
3 data collection requirements, culminating in the reporting requirements established through PSB  
4 Rule 4.900.

5 In the area of service quality, GMP has been monitoring some indices internally for  
6 varying periods of time, but no standard definitions exist, and historical data are very limited.  
7 For these reasons, the plan establishes at the outset parameters of what must be measured, as  
8 well as reporting requirements, but provides a deadline for GMP and the Department to  
9 negotiate the specific baselines. At the end of the negotiation period, the parties are required to  
10 come to the Board for approval of the final product or to rule on any baselines where the  
11 parties are unable to agree.

12 Q. What aspects of service are covered by the recommended plan?

13 A. The plan establishes one or more performance measures in seven broad areas of  
14 service that have a substantial impact on consumers. They include:

- 15 1. Call answering
- 16 2. Billing
- 17 3. Meter reading
- 18 4. Work completion
- 19 5. Customer satisfaction
- 20 6. Worker safety
- 21 7. Reliability

22 Call answer performance: Standards in this performance area are intended to ensure

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<sup>2</sup>DPS witness Steve Litkovitz addresses the safety and reliability measures in detail in his testimony.

1 consumers are able to reach the Company with reasonable ease. It covers calls to customer  
2 service representatives, as well as outage calls. The five specific standards within this measure  
3 are the following: (1) time for reaching a company representative; (2) calls abandoned before  
4 reaching a CSR; (3) calls reaching a busy signal; (4) outage calls answered; and (5) outage calls  
5 abandoned.

6 The Company already monitors its own call answer and abandon rates, but not in the  
7 same way proposed here. The proposed standards are based on research of other  
8 performance indexes and experience of DPS in negotiating plans with other Vermont  
9 companies. The value of the standards is that they evaluate performance during the hours  
10 consumers expect to receive service, they close the door on the possibility of manipulating  
11 answering systems to improve apparent performance (e.g., call answer time cannot be  
12 improved by reducing the number of calls that can get into the system), and they treat outage-  
13 related calls distinct from other service, since consumer expectations differ with respect to these  
14 two different types of contacts.

15 Because the Company has not been monitoring call answering in the same way the plan  
16 outlines, it will require some time to re-evaluate Company data, put necessary monitoring  
17 systems in place, and convert to the new measures. The plan, therefore, specifies that DPS and  
18 the Company negotiate the details of measurement and minimum performance levels by March  
19 15, 2001.

20 Billing performance: Billing is a company activity that affects every customer of the  
21 Company, and is therefore a critical aspect of performance measurement. The proposed plan  
22 includes one standard requiring monitoring and at least a minimum level of performance: percent  
23 of bills not rendered monthly. GMP is currently able to measure this aspect of performance and  
24 has sufficient historical information to establish baselines by March 15, 2001.

25 The rendering of bills makes no qualitative assessment regarding billing accuracy or  
26 clarity. Customer satisfaction with bills is addressed through the customer satisfaction indices



1 discussed below.

2 Meter reading performance: Like billing, the quality of meter reading performance  
3 affects every customer of the Company, and is therefore essential to a service quality index.  
4 The two specific measures in the recommended plan address accuracy and whether meters are  
5 read on schedule.

6 GMP currently has the systems and necessary historical information to enable the  
7 Company to negotiate a minimum standard concerning meter reading accuracy by March 15,  
8 2001. As to the standard of meters read per month, GMP is able to measure the standard, but  
9 lacks sufficient historical data to establish a minimum performance level without additional  
10 monitoring. In this case, the recommended plan would leave the establishment of the baseline  
11 until July 1, 2001. This will permit the Company and DPS to negotiate a standard based on five  
12 months of data (January through June, 2001) that covers the seasonal influences on access to  
13 meters.

14 Work completion performance: This performance area focuses on completion of work  
15 on time in two areas: line extensions and all other customer-requested work. There are three  
16 specific measurements within the performance area: days to complete line extensions once the  
17 customer is ready; other customer-requested work completed by the delivery date; and the  
18 length of delay if an order has gone beyond the promised date. In the two latter areas, the  
19 Company has sufficient information and systems to be able to negotiate a baseline by March  
20 15, 2001. With respect to line extensions, the lack of historical information on performance,  
21 coupled with strong seasonal influences on performance, make it essential to have a year of  
22 data before establishing a baseline. The plan, therefore, calls for the baseline to be negotiated  
23 by January 1, 2002, based on December 1, 2000-November 30, 2001 actual performance.

24 Customer satisfaction: Certain aspects of performance are very difficult to measure  
25 objectively through the Company's data systems. Billing is an area that fits this description. It is  
26 difficult to craft measures using data systems that measure whether payments have been posted

1 accurately. It depends upon consumer feedback to assess this performance area.

2 In addition, acceptable levels of customer service are partially a function of consumer  
3 expectations. For example, an individual company's acceptable performance level may come to  
4 be considered substandard if technological or other changes enhance performance for others in  
5 similar industries and the company does not follow suit.

6 The plan agreed to by GMP and DPS includes three customer satisfaction measures to  
7 be assessed by surveying customers using an independent, third-party contractor. One measure  
8 will be conducted annually, and the other two quarterly.

9 The first area is the level of consumer satisfaction with payment posting. This measure  
10 involves one annual survey of a sample of the Company's customers to assess customer  
11 satisfaction with payment posting. GMP already uses a qualified research firm to survey public  
12 opinion of the Company. DPS believes it likely that the existing survey can be used if modified  
13 to address appropriately the billing measure. The SQRP specifies that the details of how the  
14 question is asked, sampling and other aspects of the annual survey, as well as the minimum  
15 acceptable level of customer satisfaction with payment posting. These details must be  
16 negotiated by March 15, 2001, according to the Plan.

17 The second area of surveying in the SQRP is a quarterly assessment of customer  
18 satisfaction following any customer-initiated contact with the Company. This measure is  
19 intended to measure the quality of interaction, regardless of the nature of contact, encompassing  
20 reports to the Company, requests of the Company, inquiries and complaints. The questions  
21 asked must encompass both level of satisfaction with the transaction and level of satisfaction  
22 with the Company in general.

23 The third area of surveying in the SQRP is quarterly assessment of customer satisfaction  
24 following completion of customer-requested work by the Company. This measure also asks  
25 both for level of satisfaction with the work performed and general level of satisfaction with the  
26 Company.

1           As in the annual survey, details of how the quarterly survey questions are asked,  
2           sampling and other aspects of the quarterly survey, as well as acceptable levels of customer  
3           satisfaction must be negotiated by March 15, 2001.

4           Worker safety and Reliability are addressed by DPS witness Steve Litkovitz in his  
5           testimony.

6       Q.     What is the term of the SQRP?

7       A.     The term of the SQRP in its initial form is two years from the date of approval of a Final  
8           Plan by the PSB (see Section I, Paragraph D). The Final Plan is considered to be the  
9           document negotiated by DPS and GMP on or before March 15, 2001. This plan, which will  
10          include most of the baseline measures that cannot yet be determined, must be approved by the  
11          Board or standards imposed by the Board if the Department and the Company are unable to  
12          agree. The SQRP also includes the adoption of a successor plan at the end of the two-year  
13          term of the initial plan (see Section I, Paragraph D).

14      Q.     What financial consequences are tied to performance in the SQRP?

15      A.     The initial SQRP has no financial consequences. There are two reasons for this  
16           decision. First, the lack of historical data suggests the need to monitor performance for a period  
17           of time to develop confidence in the baselines. Second and more compelling, the overall  
18           settlement with the Company seeks to move to financial stability over a two-year period.  
19           During these initial two years, DPS believed it is important not to create additional financial risk  
20           through a penalty structure related to the SQRP.

21           The requirement that GMP and DPS negotiate a successor plan at the end of two years  
22           will resolve the question of financial consequences tied to service quality and reliability  
23           performance. The SQRP specifically states that the successor plan may include financial  
24           penalties and/or incentives tied to performance, either through performance-based regulation, if

1 allowed by statute, or through a connection to the Company's return on equity in the  
2 alternative. DPS intends to advocate for legislative change to permit performance-based  
3 regulation for electric companies in the intervening period.

4 Q. What will happen during the life of the SQRP if monitoring shows the Company's service  
5 quality fails to meet the baselines?

6 A. The SQRP (Section I, Paragraph E) specifically reserves the right of DPS to use any  
7 other remedies available under law to address substandard performance. The statutory  
8 authority in 30 V.S.A. § 209(a)(1) & (3) clearly establishes the jurisdiction to address service  
9 quality issues. Further, the language of 30 V.S.A. § 30 (a)(2) establishes the Board's authority  
10 to penalize a company for violating 30 V.S.A. § 219, the obligation of utilities to "furnish  
11 reasonably adequate service, accommodation and facilities to the public." Although DPS sees  
12 the first two years of the plan as an opportunity to monitor performance and ensure the integrity  
13 of the baseline measures, if the monitoring were to reveal serious deficiencies, and the  
14 Company did not remediate them, penalties are available under the law.

15 In addition to the authority described above, the SQRP includes a provision for  
16 customer service guarantees in the initial two-year period (see Section I, Paragraph G). To the  
17 maximum extent possible, the Company is required to offer waiver of fees for service not  
18 provided on a timely basis, provided that the Company is able to obtain tariff approval for such  
19 guarantees.

20 Most important for ensuring service quality, the SQRP includes a provision for  
21 remediation in the event performance fails to meet baseline standards (see Section III,  
22 Paragraph D). In any quarter where performance falls more than ten percent below any  
23 standard, or where performance does not meet any standard for two consecutive quarters,  
24 GMP must, within 30 days of the end of the quarter, submit a corrective action plan indicating  
25 how it will remediate the failed standard. This provision, along with the requirement of Section

1           III, Paragraph I that DPS and GMP meet regularly to discuss service quality issues, will ensure  
2           a continuing focus on achieving a high level of service quality.

3       Q.     Do you have any further comments concerning the importance of the SQRP?

4       A.           The establishment of this SQRP is an important step for Vermont. Although service  
5           quality plans now apply to telecommunications companies and the state's largest cable  
6           company, this plan represents the first comprehensive service quality index in Vermont's  
7           electric industry. Although the baselines are not yet set in all areas, and there is much work left  
8           to be done by DPS and GMP before the plan is fully operational, the stipulated agreement  
9           represents the conclusion of some of the most detailed and challenging work required.  
10          Monitoring protocols, the method of calculating standards, reporting periods, and performance  
11          areas are all concluded in the initial SQRP. Only the setting of the baselines is left to be done.  
12          This work represents a firm foundation not only for the plan ultimately implemented by GMP,  
13          but for work that needs to be extended to protect all the state's electric consumers.

14      Q.     Does that conclude your testimony?

15      A.           Yes it does.